

INTERNAL REVENUE SERVICE

Department of the Treasury

District
Director

CERTIFIED

PERSON TO CONTACT: [REDACTED]
TELEPHONE NUMBER: [REDACTED]
REFER REPLY TO:
Internal Revenue Service
[REDACTED]

DATE: APR 21 1992

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED], under the nonprofit corporation laws of the State of [REDACTED].

According to your By-laws, the objectives of your organization are:

1. To unite those engaged in the recognized branches of the real estate profession in this community for the purpose of exerting a beneficial influence upon the profession and related interest.
2. To promote and maintain high standards of conduct in the real estate profession as expressed in the Code of Ethics of [REDACTED].
3. To provide a unified medium for real estate owners and those engaged in the real estate profession whereby their interests may be safeguarded and advanced.
4. To further the interest of home and other real property ownership.
5. To unite those engaged in the real estate profession in this community with the [REDACTED] and [REDACTED], thereby, furthering their own objectives throughout the state and nation, and obtaining the benefits of privileges of membership therein.
6. To designate, for the benefit of the public, those individuals within its jurisdiction authorized to use the terms Realtor and Realtors as licensed, prescribed and controlled by [REDACTED].

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[REDACTED]

All active real estate agents in [REDACTED] are required to join your organization. You currently have [REDACTED] members.

The primary activity of your organization is a multiple listing service for your members. Your members provide information on each real estate listing to a printing company. The printing company, under contract with your organization, prints and distributes the listings.

According to the financial data submitted, your primary source of income is fees received from the multiple listing service. The primary expense of your organization is printing the listings.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder.

According to Revenue Ruling 59-234, 1959-2 C.B. 149, a real estate board whose primary purpose or activities is the operation of a multiple listing system is considered to be rendering particular services for its members and is not exempt under Section 501(c)(6) of the Code.

According to Revenue Ruling 73-411, 1973-2 C.B. 180, and association, whose membership was restricted to and required of the tenants of a shopping center, did not qualify for exempt status under Section 501(c)(6). This revenue ruling stated:

Events related to the original enactment of what is now Section 501(c)(6) of the Code also reflect that the organizations referred to at that time as chambers of commerce and similar organizations were voluntary associations of a semi-public nature.

You do not qualify for exempt status under Section 501(c)(6) because you are similar to the organizations described in the above revenue rulings. You are performing particular services for your members by providing them with listings of properties for sale. The operation of a real estate multiple listing service constitutes a business of a kind ordinarily carried on for profit. Because of the compulsory nature of your membership, you lack an essential element of organizations commonly accepted as being chambers of commerce or similar organizations.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[REDACTED]

If we do not hear from you within 30 days from the date of this letter this determination will become final.

You are required to file Federal Income Tax Returns.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018